

VZCZCXYZ0001
RR RUEHWEB

DE RUEHTL #0027 0160609
ZNR UUUUU ZZH
R 160609Z JAN 07
FM AMEMBASSY TALLINN
TO RUEHC/SECSTATE WASHDC 9428
INFO RUEHWR/AMEMBASSY WARSAW 0833
RUEHHE/AMEMBASSY HELSINKI 5147
RUEHRA/AMEMBASSY RIGA 2840
RUEHVL/AMEMBASSY VILNIUS 6601

UNCLAS TALLINN 000027

SIPDIS

SIPDIS

E.O. 12958: N/A
TAGS: [ETRD](#) [PREL](#) [EINV](#) [EN](#)

SUBJECT: ESTONIA: BUYBACK OF THE RAILWAY COMPLETE

REF: 06 Tallinn 1014

¶1. (U) The buyback of the Estonian Railway by the Estonian government was completed on January 9, 2007. Representatives of the GOE and Baltic Rail Services (BRS) signed documents under which the state again became the owner of 100 percent of the shares of Eesti Raudtee (Estonian Railways). The state paid USD 194 million for BRS' 66 percent majority shares. The two sides also signed an agreement to abandon the claims each has in cases currently pending in international arbitration courts.

¶2. (U) An entirely new Supervisory Council was appointed according to the GOE's coalition agreement, including two representatives each from the People's Union Party, Reform and Center parties. The new Council then appointed Eva Vanamb, head of the Ministry of Economy and Communication's Legal Department, as its chairwoman. At the Council's first meeting on January 9, it appointed Kaido Simmermann to be CEO and chairman of the railway's separate management board, which controls actual daily operations. Mr. Simmermann has been working for the railway since 1995 as Director of Infrastructure. The GOE has announced that it plans roughly USD 68 million in infrastructure investments into the railway in 2007. To that end, Economic Affairs and Communications Minister Edgar Savisaar and others have suggested that once the railway is back in state hands, EU structural funds could also be used to fund upgrades.

US Role Down, but Not Out

¶3. (U) While BRS is no longer a U.S. investment, the chance for a future role for U.S. companies in this sector remains. Edward Burkhardt, chairman of the former railway majority owner BRS, reportedly plans to continue his involvement in the region by seeking investors and working with the EU on a Rail Baltica project to link the freight lines of Finland, the Baltic states, and Poland.

GOLDSTEIN